

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March, 2005.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of garments.

An analysis of the Group's results, assets and liabilities by business and geographical segment is set out in note 2 to the accounts.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

	2005	2004
	%	%
Sales		
— the largest customer	33	47
— five largest customers combined	85	94
Purchases		
— the largest supplier	29	49
— five largest suppliers combined	74	95

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

Analysis of the Group's Performance

An analysis of the Group's performance is shown in the Chairman's Statement on pages 2 to 8.

REPORT OF THE DIRECTORS

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 23.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2005 (2004: HK\$Nil).

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$290,000 (2004: HK\$39,000).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Investment Properties

Details of the investment properties held by the Group are set out on page 68.

Share Capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2005 (2004: HK\$Nil).

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Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 67.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Subsidiaries

Particulars of the Company's subsidiaries as at 31st March, 2005 are set out in note 29 to the accounts.

Analysis of Bank Loans, and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2005 are repayable over the following periods:

	Trust receipts and other bank loans <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>
Within one year	24,888	2,855
In the second year	1,873	324
In the third to fifth year inclusive	7,297	—
	<hr/>	<hr/>
	34,058	3,179
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REPORT OF THE DIRECTORS

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson (*Chairman*)
Ms. Pang Shu Yuk, Adeline Rita
Mr. Tsao Kwang Yung, Peter* (*deceased*)
Mr. Lee Kwok Cheung*
Mr. Wong Tak Yuen**
Mr. Zheng Jie*
Mr. Chau Tsun Ming, Jimmy* (*appointed on 21st July, 2005*)

* *independent non-executive directors*

** *non-executive director*

All the directors of the Company except the Chairman are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with clause 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Ms. Pang Shu Yuk, Adeline Rita, retires by rotation and, being eligible, offers herself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has a service contract with the Company which is determinable within one year without payment of compensation, other than statutory compensation. Apart from the aforesaid, none of the directors, including the director proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company.

REPORT OF THE DIRECTORS

Directors and Senior Management

Biographical details of directors and senior management of the Group are shown below:

Executive Directors

Mr. Wong Tek Sun, Takson, age 54, is Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. He has over 30 years' experience and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for the development of corporate planning and strategy, sales and marketing and overall management of the Group.

Ms. Pang Shu Yuk, Adeline Rita, age 46, is Deputy Chairman and Chief Operations Officer of the Group and oversees merchandising, production planning and control, and various operational and administrative matters of the Group. She holds a higher diploma in fashion and clothing technology from the Hong Kong Polytechnic University. She joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Non-Executive Directors

Mr. Lee Kwok Cheung, age 56, is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. From 1994 to 1995, Mr. Lee was the chief executive of Polytec Holdings Limited, a textile and real estate group, and from 1991 to 1993, Giordano Holdings Limited. Mr. Lee has over eleven years' experience in banking. He was appointed as an independent non-executive director of the Company in September 1997.

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Directors and Senior Management *(continued)*

Non-Executive Directors *(continued)*

Mr. Zheng Jie, age 37, has extensive sales and marketing experience in the sports market in the PRC. He was appointed as an independent non-executive director of the Company in September 2004.

Mr. Chau Tsun Ming, Jimmy, age 32, is a director of a venture capital and investment banking firm based in Beijing, Shanghai and New York. He holds a Bachelor of Commerce degree from the University of Toronto, Canada, and is a member of the American Institute of Certified Public Accountants. Before being an entrepreneur, Mr. Chau had spent 5 years in the Listing Division of Hong Kong Exchange and Clearing Limited. He was appointed as an independent non-executive director of the Company in July 2005.

Mr. Wong Tak Yuen, age 49, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson. He was appointed as a non-executive director of the Company in January 2003.

Senior Management

Mr. Hui Chong Ki, Lawrence, age 46, is a Chief Financial Officer and Company Secretary of the Group. He graduated from the Chinese University of Hong Kong with a Master's degree in Business Administration. He has over 15 years of experience in accounting and financial experience in multinational companies. Prior to joining the Group in January 2005, Mr. Hui worked as Finance Director of General Mills Hong Kong Ltd. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Australia CPA.

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Directors and Senior Management *(continued)*

Senior Management *(continued)*

Ms. Li Yuk Fong, Kerly, age 47, is Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by the Hong Kong Polytechnic University and the Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group in 1990, she had worked in the systems and control field for more than four years.

Mr. Richard Lim, age 43, is the General Manager of HEAD®. Prior to joining the Group in March 2005, he had worked in the tennis market in the PRC for the last 6 years.

Mr. Jack Wang, age 37, is the General Manager of Diadora. He graduated from the Beijing Academy of Economics and has over 10 years of experience in major sports companies in the PRC. Prior to joining the Group in February 2005, he was the Sales Director of KAPPA in the PRC.

Ms. Shirley Sun, age 34, is our General Manager of Administration in the PRC. She graduated from the East China Normal University. She has joined the Group in 1994 and since then held various senior administrative positions in the Group.

Directors' Interests in Contracts

Except for the directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries, or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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Directors' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

At no time during the year was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 31st March, 2005, the interests and long positions of each director, chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long positions Name of director	Number of ordinary shares in the Company beneficially held					Total interests	Percentage of holding
	Personal interests	Family interests	Corporate interests	Other interests			
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000	—	250,618,000	64.3%	
			(Note 1)				
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000	—	250,618,000	64.3%	
			(Note 1)				

Note:

- (1) The references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita, Mr. Wong Chi Wang, Calvin, and Mr. Wong Chi Kin, Christopher, both the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita.

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Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations *(continued)*

Note: *(continued)*

(1) *(continued)*

Mr. Wong Tek Sun, Takson owns 50% of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Ms. Pang Shu Yuk, Adeline Rita, owns 50% of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Save as disclosed above, as at 31st March, 2005, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests or short positions in the shares or underlying shares in, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

The register of substantial shareholders maintained under Section 336 of the SFO showed that as at 31st March, 2005, the Company had been notified of the following substantial shareholders' interests and long positions, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held	Percentage
Wangkin Investments Inc. <i>(Note)</i>	237,600,000	61.0%
Takson International Holdings Limited <i>(Note)</i>	237,600,000	61.0%

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

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Substantial Shareholders *(continued)*

Save as disclosed herein, as at 31st March, 2005, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO as having an interest or short positions in 5% or more of the issued share capital of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the directors and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external audit and of the internal controls and risk evaluation. The current Committee comprises the two independent non-executive directors, namely, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and the non-executive director Mr. Wong Tak Yuen. Two meetings were held during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

Management Contracts

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited ("the Listing Rules") throughout the year ended 31st March, 2005, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

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Compliance with the Code of Best Practice of the Listing Rules

(continued)

Management has found out that the Group had not made disclosure announcement in pursuance to rule 13.13 and 13.15 of the Listing Rules, in relation of the Group's accounts receivables that exceeded 8% of the Company Capitalization, from June 2004 to September 2004. Subsequent disclosure announcement was made on 25 July 2005. No individual trade receivable exceeded the 8 percent rule at the balance sheet date.

Disclosure Pursuant to Rule 13.13 and 13.15 of the Listing Rule

In certain months of the Financial Year, the Group had trade receivables (the "Trade Receivables") due from the following customers which individually exceeded 8 percent of the total asset value set out in the latest published accounts:

Trade Receivables

	July 2004	August 2004	September 2004	October 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hugo Boss AG	11,514	4,804	0	0
Dillards Stores Services Inc.	0	7,368	11,553	10,092
Big 5 Corp	0	0	9,347	8,306
Footlocker Retail Inc.	14,272	8,005	10,253	4,689

Trade Receivables as % Total Asset Value

	July 2004	August 2004	September 2004	October 2004
Hugo Boss AG	15%	6%	0%	0%
Dillards Stores Services Inc.	0%	0%	15%	13%
Big 5 Corp	0%	0%	12%	11%
Footlocker Retail Inc.	18%	10%	14%	6%

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Disclosure Pursuant to Rule 13.13 and 13.15 of the Listing Rule

(continued)

Trade Receivables as % Total Market Capitalization

	July 2004	August 2004	September 2004	October 2004
Hugo Boss AG	19%	8%	0%	0%
Dillards Stores Services Inc.	0%	13%	22%	20%
Big 5 Corp	0%	0%	18%	17%
Footlocker Retail Inc.	24%	14%	20%	9%
Total market capitalization (HK\$'000)	59,515	57,646	51,570	49,467

Notes:

1. The Trade Receivables are for sales of apparel in the ordinary course of business, and were unsecured and interest free with payments covered by letters of credit or terms of 30 days.
2. The customers are independent third parties not connected to directors, chief executives or substantial shareholders of the Group or its respective associates.
3. Total asset value of the Group was HK\$77,466,000 as at 31st March, 2004 which was the date of the latest published accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 25th July, 2005